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瑞港國際機場集團股份有限公司

Regal International Airport Group Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 357)

FINAL RESULTS ANNOUNCEMENT AS OF 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Total revenue was RMB1,703.82 million (2017: RMB1,469.86 million)
- Revenue from aeronautical business was RMB915.06 million (2017: RMB826.76 million)
- Revenue from non-aeronautical business was RMB788.76 million (2017: RMB643.10 million)
- Net profit attributable to shareholders was RMB622.04 million (2017: RMB484.44 million)
- Earnings per share was RMB1.31 (2017: RMB1.02)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 24.1236 million
- Aircraft takeoff and landing reached 165,186 times
- Cargo throughput was 324,697.50 tons

* *For identification purposes only*

RESULTS

The board of directors (the “**Directors**”) of Regal International Airport Group Company Limited (the “**Company**” or “**Meilan Airport**”) (the “**Board**”) is pleased to announce the financial position and operating results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative figures for the corresponding period of 2017.

The selected consolidated financial information prepared according to Accounting Standards for Business Enterprises (as defined below) is as follows:

CONSOLIDATED INCOME STATEMENTS

	<i>Note(s)</i>	2018 <i>RMB</i>	2017 <i>RMB</i>
Revenue	2	1,703,824,329	1,469,855,195
Less: Cost of sales		(714,627,074)	(630,446,317)
Taxes and surcharges		(32,020,817)	(20,155,561)
Selling and distribution expenses		(6,232,814)	(2,295,362)
General and administrative expenses		(65,805,806)	(89,480,074)
Financial expenses – net	3	(120,021,798)	(117,467,650)
Expected credit loss		305,698	348,837
Add: Investment income/(loss)	4	52,590,634	16,831,976
Including: Share of profit/(loss) of associates		52,590,634	16,831,976
Losses on disposals of assets		(381,809)	(2,406,226)
Other income		5,285,873	23,922,422
Operating profit		822,916,416	648,707,240
Add: Non-operating income		3,411,038	1,107,800
Less: Non-operating expenses		(30,822)	(1,428)
Total profit		826,296,632	649,813,612
Less: Income tax expenses	5	(197,896,142)	(156,820,949)
Net profit		628,400,490	492,992,663

	<i>Note(s)</i>	2018 RMB	2017 RMB
Classified by continuity of operations			
Net profit from continuing operations		628,400,490	492,992,663
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		622,041,325	484,440,167
Minority interests		6,359,165	8,552,496
Other comprehensive income, net of tax		<u>(13,015,000)</u>	<u>(10,770,378)</u>
Attributable to shareholders of the Company		(13,015,000)	(10,770,378)
Other comprehensive income that will be subsequently reclassified to profit or loss		(13,015,000)	(10,770,378)
Shares of other comprehensive income of the investee accounted for using equity method that will be subsequently reclassified to profit or loss		(13,015,000)	(10,770,378)
Total comprehensive income		<u>615,385,490</u>	<u>482,222,285</u>
Attributable to shareholders of the Company		609,026,325	473,669,789
Attributable to minority interests		6,359,165	8,552,496
Earnings per share			
– Basic and diluted earnings per share	6	<u>1.31</u>	<u>1.02</u>

CONSOLIDATED BALANCE SHEET

		31 December	31 December
		2018	2017
	<i>Note(s)</i>	RMB	RMB
ASSETS			
Current assets			
Cash at bank and on hand		81,958,509	730,521,238
Accounts receivable	8	371,857,289	331,266,374
Prepayments		10,140,900	3,244,160
Other receivables		13,042,752	22,371,550
Inventories		615,299	345,830
Other current assets		9,398,072	78,619,784
		<u>487,012,821</u>	<u>1,166,368,936</u>
Total current assets			
Non-current assets			
Long-term receivables		–	54,358,488
Long-term equity investments		1,396,571,910	1,373,582,971
Investment properties		1,254,387,683	1,272,974,299
Fixed assets		2,459,476,620	2,550,683,680
Construction in progress		1,471,487,020	892,261,651
Intangible assets		160,944,155	164,571,183
Long-term prepaid expenses		7,608,487	7,520,928
Deferred tax assets		6,520,866	7,045,112
Other non-current assets		1,622,131,422	1,588,783,218
		<u>8,379,128,163</u>	<u>7,911,781,530</u>
Total non-current assets			
		<u>8,866,140,984</u>	<u>9,078,150,466</u>
Total assets			

		31 December	31 December
		2018	2017
	<i>Note(s)</i>	RMB	RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		379,450,000	–
Accounts payable	9	191,749,574	77,926,873
Advances from customers		63,868,312	25,401,632
Contract liabilities		14,134,576	–
Employee benefits payable		26,760,811	36,627,653
Taxes payable		317,157,645	71,422,251
Other payables		770,652,096	710,909,107
Current portion of non-current liabilities	10	<u>1,899,553,213</u>	<u>215,751,426</u>
Total current liabilities		<u>3,663,326,227</u>	<u>1,138,038,942</u>
Non-current liabilities			
Long-term borrowings		–	560,003,253
Debentures payable	11	–	1,813,305,592
Long-term payables		384,015,088	1,458,673,787
Long-term employee benefits payable		82,704	191,064
Other non-current liabilities		<u>246,777,344</u>	<u>15,944,540</u>
Total non-current liabilities		<u>630,875,136</u>	<u>3,848,118,236</u>
Total liabilities		<u>4,294,201,363</u>	<u>4,986,157,178</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		813,135,400	829,722,095
Surplus reserve		246,394,231	246,394,231
Other comprehensive income		(12,284,296)	730,704
Retained earnings		<u>3,013,674,728</u>	<u>2,504,993,353</u>
Total equity attributable to shareholders of the Company		<u>4,534,133,063</u>	<u>4,055,053,383</u>
Minority interests		<u>37,806,558</u>	<u>36,939,905</u>
Total equity		<u>4,571,939,621</u>	<u>4,091,993,288</u>
Total liabilities and equity		<u>8,866,140,984</u>	<u>9,078,150,466</u>
Net current (liabilities)/asset		<u>(3,176,313,406)</u>	<u>28,329,994</u>
Total assets less current liabilities		<u>5,202,814,757</u>	<u>7,940,111,524</u>

Notes:

1. BASIS OF PREPARATION

The financial statements were prepared in accordance with the Basic Standard of Accounting Standards for Business Enterprises, specific accounting standards and other relevant regulations (hereafter collectively referred to as the “**Accounting Standards for Business Enterprises**” or “**CAS**”) issued by the Ministry of Finance of the People’s Republic of China (the “**PRC**”) on or after 15 February 2006.

The financial statements are prepared on a going concern basis.

As at 31 December 2018, the Group recorded net current liabilities of RMB3,176,313,406 (31 December 2017: net current assets of RMB28,329,994). Meanwhile, the Company and Haikou Meilan International Airport Co., Ltd. (“**Haikou Meilan**”) are jointly constructing Meilan Airport Phase II Expansion Project, amongst which the capex of the part the Company being responsible to construct is estimated to be approximately RMB7.2 billion. The Company needs funding to support these construction projects and refinance of existing debts. The Company has received long-term interest-free loans of approximately RMB850 million from related parties in March 2019 and repaid the Meilan Debentures with principal amount of RMB800 million upon its maturity on 15 March 2019. Haikou Meilan as the borrower and the Company as co-borrower have jointly obtained a syndicated loan facility of RMB7.8 billion (China Development Bank Limited as the mandated lead manager, ICBC Hainan Branch and ABC Hainan Branch as the participant banks) specifically to finance the construction of the Meilan Airport Phase II Expansion Project. Pursuant to the loan allocation agreement entered into between the Company and Haikou Meilan, the Company was assigned the loan facility of RMB3.9 billion, which the Company has not yet drawn down. Management has prepared the Group’s cash flow forecast for the following 12 months, by taking into account the expected operating cash inflows, aforementioned long-term loans provided by the related parties and undrawn facility of the syndicated loan, management is of the view that the Group will have sufficient funds to settle the debts when they falls due. As a result, the financial statements of the Group for the year ended 31 December 2018 have been prepared on a going concern basis.

The new Hong Kong Companies Ordinance was effective on 3 March 2014. Certain notes to the financial statements of the Group have been supplemented in accordance with the requirements of the new Hong Kong Companies Ordinance.

The Ministry of Finance released the revised CAS 14 – Revenue, revised CAS 22 – Recognition and Measurement of Financial Instruments, revised CAS 23 – Transfer of Financial Assets and revised CAS 37 – Presentation of Financial Instruments in 2017 and released the Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2018 (Cai Kuai [2018] No. 15) and its interpretations in 2018. The financial statements for the year ended 31 December 2018 are prepared in accordance with the above standards and circular, and the impacts are as follows:

(a) Revisions on the formats of corporate financial statements

The impacts on the consolidated balance sheet and the income statement are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2017 RMB	1 January 2017 RMB
		Increase/ (decrease)	Increase/ (decrease)
Interest receivable, dividends receivable and other receivables are grouped as other receivables	Interest receivable Other receivables	(10,331,985) 10,331,985	(4,131,919) 4,131,919
Interest payable, dividends payable and other payables are grouped as other payables	Interest payable Dividends payable Other payables	(85,654,247) (499,500) 86,153,747	(87,006,074) (499,500) 87,505,574

(b) Financial instruments

As at 1 January 2018, the classification and measurement of the financial assets represented in the Group's consolidated financial statements under the old or new accounting standards for financial instruments are the same.

As at 31 December 2017 and 1 January 2018, the Group had no financial assets at fair value through profit or loss.

(c) Revenue

According to the new revenue standards, the Group and the Company recognise the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings as of 1 January 2018 and other related items in the financial statements. The comparative financial information as of and for year ended 31 December 2017 are not restated.

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
		1 January 2018 RMB
		Increase/ (decrease)
Due to the adoption of the new revenue standards, advances from customers in relation to lease services, VIP room services and etc. were reclassified to contract liabilities	Advances from customers Contract liabilities	(25,401,632) 25,401,632

2. REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) of the Group has been identified as the Executive Directors, and senior management led by the president of the Company. The management reviews the Group’s internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The management considers the Group conducts business within one business segment-the business of operating an airport and a hotel and provision of related services in the PRC and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

Analysis of revenue (by nature)	2018	2017
	RMB	RMB
Aeronautical:		
Passenger service charges	345,919,512	306,327,568
Refund of Civil Aviation Development Fund	250,367,077	260,875,858
Ground handling service income	190,501,947	147,570,418
Fees and related charges on aircraft takeoff and landing	128,267,182	111,979,196
	915,055,718	826,753,040
Non-aeronautical:		
Franchise income	417,190,686	381,087,859
Freight and packaging income	97,174,931	77,356,543
Rental income	89,213,598	56,014,028
VIP room income	41,157,501	26,680,324
Hotel income	30,957,567	–
Parking income	26,801,790	19,595,233
Other income	86,272,538	82,368,168
	788,768,611	643,102,155
Total revenue	1,703,824,329	1,469,855,195

3. FINANCIAL EXPENSES-NET

	2018	2017
	<i>RMB</i>	<i>RMB</i>
Interest expenses	184,263,614	219,890,025
Including: Debentures	138,512,724	138,182,560
Bank borrowings and entrusted loans	39,794,681	73,139,465
Finance lease	5,956,209	8,568,000
Net foreign exchange losses/(gains)	12,536	(7,868,372)
Less: Capitalized financial expenses	(48,411,321)	(64,370,502)
Less: Interest income	(16,822,932)	(30,527,054)
Others	979,901	343,553
	<u>120,021,798</u>	<u>117,467,650</u>

4. INVESTMENT INCOME/(LOSS)

	2018	2017
	<i>RMB</i>	<i>RMB</i>
Investment income/(loss) recognised for long-term equity investment in unlisted companies under equity method	<u>52,590,634</u>	<u>16,831,976</u>

There is no significant restrictions on the repatriation of investment income.

5. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2018 (2017: nil). Income tax expenses in the consolidated income statement represent the provision for the PRC corporate income tax (“CIT”).

	2018	2017
	<i>RMB</i>	<i>RMB</i>
Current income tax calculated based on tax law and related regulations	197,371,896	156,207,345
Deferred income tax	<u>524,246</u>	<u>613,604</u>
	<u>197,896,142</u>	<u>156,820,949</u>

According to Article 27 of the Corporate Income Tax Law and the relevant provisions of the Financial and Taxation [2014] Circular No. 55, the net income generated from the international terminal of the Company is entitled to the preferential income tax treatment of “three years’ exemptions and three years’ half levy” as it meets the criteria of “the incomes generated from investment in and business operations of the important public infrastructure projects supported by the state”. Year 2018 is the third year of half levy, the applicable tax rate for the net incomes generated from the international terminal was 12.5%, while the applicable tax rate of other business of the Group was 25%.

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding:

	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	<u>622,041,325</u>	<u>484,440,167</u>
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (<i>RMB</i>)	<u><u>1.31</u></u>	<u><u>1.02</u></u>

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted by the profit or loss impact of the dilutive potential ordinary shares, if any, by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in the year ended 31 December 2018 (2017: nil), diluted earnings per share equal to basic earnings per share.

7. DIVIDENDS

	2018	2017
2018 interim dividend paid of RMB0.150 per share (2017 interim dividend: RMB0.134 per share)	70,981,950	63,410,000
Proposed not to distribute 2018 final dividend (2017 final dividend: RMB0.090 per share)	<u>–</u>	<u>42,378,000</u>
	<u>70,981,950</u>	<u>105,788,000</u>

During the year, 2018 interim cash dividend of RMB0.150 per share, calculated by issued shares of 473,213,000, totalling RMB70,981,950 (2017 interim cash dividend: RMB0.134 per share, totalling RMB63,410,000) was distributed to the shareholders of the Company.

No distribution of final cash dividend in respect of the year 2018 is proposed by the Board (2017 final dividend: RMB0.090 per share, totalling RMB42,378,000).

8. ACCOUNTS RECEIVABLE

	31 December 2018 RMB	31 December 2017 RMB
Accounts receivable	373,030,984	332,745,767
Less: Provision for bad debts	<u>(1,173,695)</u>	<u>(1,479,393)</u>
	<u>371,857,289</u>	<u>331,266,374</u>

Credit terms granted to customers are determined by the management on an individual basis with a general term ranging from 1 to 3 months. As at 31 December 2018, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	31 December 2018 RMB	31 December 2017 RMB
Within 90 days	295,469,447	305,342,252
91 to 180 days	26,526,638	21,079,854
181 to 365 days	47,606,079	5,650,314
Over 365 days	<u>3,428,820</u>	<u>673,347</u>
	<u>373,030,984</u>	<u>332,745,767</u>

9. ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on the dates of recognition, is set out as follows:

	31 December 2018 RMB	31 December 2017 RMB
Within 90 days	114,311,262	56,739,658
91 to 180 days	48,021,859	14,118,346
Over 180 days	<u>29,416,453</u>	<u>7,068,869</u>
	<u>191,749,574</u>	<u>77,926,873</u>

10. CURRENT PORTION OF NON-CURRENT LIABILITIES

	31 December 2018 RMB	31 December 2017 RMB
Long-term debentures due within one year	1,818,276,483	–
Long-term payables due within one year	81,276,730	100,751,426
Long-term borrowings due within one year	–	<u>115,000,000</u>
	<u>1,899,553,213</u>	<u>215,751,426</u>

Long-term payables due within one year include finance lease payable, entrusted loans and car packs management fee due within one year.

11. DEBENTURES PAYABLE

	31 December 2017 RMB	Amortization of premium RMB	31 December 2018 RMB
Long-term debentures payable	1,813,305,592	4,970,891	1,818,276,483
Less: current portion of debentures payable			<u>(1,818,276,483)</u>
			<u>–</u>

Related information regarding the debentures is as follows:

	Par value RMB	Issuance date	Maturity	Issuance amount RMB
Meilan debentures (a)	800,000,000	15 March 2012	7 years	800,000,000
Guohai private equity debentures I (b)	500,000,000	27 April 2016	3 years	500,000,000
Guohai private equity debentures II (c)	<u>520,000,000</u>	2 September 2016	3 years	<u>520,000,000</u>
	<u>1,820,000,000</u>			<u>1,820,000,000</u>

Interest accrued for the debentures is analysed as below:

	Interest accrued			
	31 December 2017 RMB	Interest accrued in current year RMB	Interest paid in current year RMB	31 December 2018 RMB
Meilan debentures (a)	49,400,000	62,400,000	(62,400,000)	49,400,000
Guohai private equity debentures I (b)	24,800,000	36,400,000	(36,500,000)	24,700,000
Guohai private equity debentures II (c)	<u>11,454,247</u>	<u>34,741,833</u>	<u>(34,840,000)</u>	<u>11,356,080</u>
	<u>85,654,247</u>	<u>133,541,833</u>	<u>(133,740,000)</u>	<u>85,456,080</u>

- (a) Pursuant to Zheng Jian Xu Ke [2011] No. 2082 approved by the China Securities Regulatory Commission (the “**CSRC**”), the Company issued registered book-entry debentures of RMB800,000,000 which were listed on the Shanghai Stock Exchange (the “**Shanghai Stock Exchange**”) on 15 March 2012. The maturity of the debentures is 7 years with fixed interest rate of 7.8% per annum and the interest is payable annually on 15 March of each year and the principal is repayable upon maturity on 15 March 2019.
- (b) On 27 April 2016, the Company issued Guohai private equity debentures phase I of RMB500,000,000 to qualified investors which were listed on the Shenzhen Stock Exchange (the “**Shenzhen Stock Exchange**”). The maturity of the bonds is 3 years, with fixed interest rate of 7.3% per annum, and the interest is payable annually on 27 April of each year and the principal is repayable upon maturity.
- (c) On 2 September 2016, the Company issued Guohai private equity debentures phase II of RMB520,000,000 to qualified investors which were listed on the Shenzhen Stock Exchange. The maturity of the bonds is 3 years, with fixed interest rate of 6.7% per annum, and the interest is payable annually on 2 September of each year and the principal is repayable upon maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Overview of Aviation Business

In 2018, boosted by the overall rapid growth of the PRC civil aviation industry, and benefited from certain favorable policies as well as the construction of the Hainan International Tourism Island and off-shore duty-free policy, the passenger throughput of Meilan Airport continued to experience growth, and international passenger throughput passed the 1 million mark, ranking 17th among all civil airports in China.

Revolving around the deployment of key tasks such as constructing the regional aviation hub, serving the national “One Belt and One Road” initiative and the goal of establishing free trade zone and free trade port in Hainan, Meilan Airport continuously expanded the coverage and accessibility of its route network and achieved rapid growth in international aviation market, realized full coverage of the 10 ASEAN countries; actively promoted Hainan aviation tourism in cooperation with the government, airlines, travel agencies and charter operators, which effectively improved its flight passenger load factor and provided a strong source of customers for the rapid development of the international aviation market.

For the year ended 31 December 2018, Meilan Airport operated a total of 303 originating routes, including 257 domestic routes, 42 international routes and 4 regional routes; Meilan Airport extended its reach to 156 cities, including 114 domestic cities, 38 international cities and 4 regional cities; and attracted 59 airlines to operate at Meilan Airport in total, including 35 domestic airlines, 20 international airlines and 4 regional airlines, and 5 domestic and international airlines to carry out alternate and temporary flights.

Details of the aviation traffic throughput of Meilan Airport in 2018 and comparative figures of last year are set out below:

	2018	2017	Change
Passenger throughput			
<i>(headcount in ten thousand)</i>	2,412.36	2,258.48	6.81%
in which: domestic	2,297.51	2,169.37	5.91%
international and regional	114.85	89.11	28.89%
Aircraft takeoff and landing (times)	165,186	157,535	4.86%
in which: domestic	155,814	148,842	4.68%
international and regional	9,372	8,693	7.81%
Cargo throughput (tons)	324,697.50	299,178.50	8.53%
in which: domestic	306,301.60	285,134.60	7.42%
international and regional	18,395.90	14,043.90	30.99%

The Group's total revenue from aviation business for 2018 was RMB915,055,718, representing an increase of 10.68% as compared to that of 2017. A breakdown of the Group's revenue from aviation business is as follows:

	Amount (RMB)	Changes over 2017
Passenger service charges	345,919,512	12.92%
Refund of Civil Aviation Development Fund	250,367,077	-4.03%
Ground handling service income	190,501,947	29.09%
Fees and related charges on aircraft takeoff and landing	<u>128,267,182</u>	<u>14.55%</u>
Total revenue from aviation business	<u>915,055,718</u>	<u>10.68%</u>

Overview of Non-aviation Business

In 2018, the non-aviation business of the Group maintained growth momentum and achieved annual revenue of RMB788,768,611, representing a year-on-year increase of 22.65%. Its proportion to the Group's total revenue recorded to 46.29%. In 2018, the Company focused on building a five-star Meilan business, explored five-star Meilan Card and other innovative businesses in-depth, pushed ahead with new types of commercial construction in a comprehensive manner and, under the guidance of the "Circular on Printing and Distributing Plan for Adjusting Charge Standards of Civil Airports" (Civil Aviation Circular 18 in 2017) (《關於印發民用機場收費標準調整方案的通知》(民航2017年18號文)) issued by the Civil Aviation Administration of China (the "CAAC"), completed the adjustment of various business price mechanisms and boosted overall sales, resulting in good performance in terms of the revenue from non-aviation business. In 2018, the Group recorded franchise income accumulated to RMB417,190,686, representing a year-on-year increase of 9.47%, while freight and packaging income reached RMB97,174,931, representing a year-on-year increase of 25.62%. Rental income reached RMB89,213,598, representing a year-on-year increase of 59.27%; parking fee income also reached RMB26,801,790, representing a year-on-year increase of 36.78%. Meanwhile, VIP room income reached RMB41,157,501, representing a year-on-year increase of 54.26%. In addition, newly-added hotel income amounted to RMB30,957,567.

	Amount (RMB)	Changes over 2017
Franchise income	417,190,686	9.47%
Freight and packaging income	97,174,931	25.62%
Rental income	89,213,598	59.27%
VIP room income	41,157,501	54.26%
Car parking income	26,801,790	36.78%
Hotel income	30,957,567	–
Other income	86,272,538	4.74%
Total revenue from non-aviation business	<u>788,768,611</u>	<u>22.65%</u>

Franchise Income

In 2018, the franchise income of the Group aggregated to RMB417,190,686, representing a year-on-year growth of 9.47%, which was mainly attributable to factors such as the putting into use of the terminal complex, expansion of advertising area and the significant increase in price of the renewed advertising franchise contracts, resulting in the continuous growth in sales. In 2018, revenue from advertising franchise of the Group amounted to RMB93,171,772, representing a year-on-year growth of 81.77%.

Freight and Packaging Income

In 2018, the freight and packaging income of the Group aggregated to RMB97,174,931, representing a year-on-year increase of 25.62%, which was mainly due to the fact that the Group actively explored its markets, focused on the integration of agency business resources, and strengthened the air cargo agent and SF Express agent business cooperation.

Rental Income

In 2018, the rental income of the Group amounted to RMB89,213,598, representing an increase of 59.27% compared with last year, which was mainly attributable to the Group's further optimization on the layout of the commercial site of the terminal and improvement over the efficiency of commercial tenancy of the terminal and the signing of an off-shore duty-free delivery point rental agreement, thus promoting the continuous growth of rental income.

VIP Room Income

In 2018, the VIP room income of the Group amounted to RMB41,157,501, representing a year-on-year increase of 54.26%, which was mainly attributable to the Company's great efforts to innovate the VIP service business amidst an increase in the passenger throughput and aggressive expansion of five-star Meilan Card service, leading to a significant increase in sales.

Car Parking Income

In 2018, the car parking income of the Group aggregated to RMB26,801,790, representing a year-on-year increase of 36.78%, which was mainly due to the fact that the Company completed the renovation and put the terminal complex into operation to expand its parking resources and adjusted the charging standards of car parking, which drove the growth in car parking income.

Hotel Income

In 2018, the hotel income of the Group amounted to RMB30,957,567, which was mainly attributable to the commencement of operations of the hotel of the terminal complex during the year.

Financial Review

Asset Analysis

As at 31 December 2018, the total assets of the Group amounted to RMB8,866,140,984, representing a decrease of 2.34% over last year. Among which, current assets amounted to RMB487,012,821, representing 5.49% of the total assets, non-current assets amounted to RMB8,379,128,163, representing approximately 94.51% of the total assets.

Costs Analysis

The operation cost, promotion and selling expenses and administrative expenses of the Group were RMB786,665,694 in 2018, representing an increase of RMB64,443,941 or 8.92% as compared to that of 2017, mainly attributed to:

- (1) the depreciation charge of the Group for the year increased by RMB53,166,728, mainly due to the completion of the construction of terminal complex and the upgrade and renovation of the terminal building which have been put into use;
- (2) the expenses of outsourced employees of the Group for the year increased by RMB22,338,909 mainly due to the growth of business volume of the Meilan Airport;
- (3) the airport and logistic services fee of the Group for the year increased by RMB6,093,676, mainly due to the expansion of area of greening and environmental maintenance after the putting into use of the terminal complex of the Group.

In 2018, the financial expenses of the Group amounted to RMB120,021,798, representing an increase of RMB2,554,148 as compared to the last year, which was mainly due to the decrease in capitalized interest during the year as a result of the putting in use of the terminal complex.

Cash Flow

In 2018, the Group's net cash inflow from operating activities was RMB1,225,110,029, representing an increase of 15.27% over last year. Such increase was mainly due to the increase in operating income.

In 2018, the Group's net cash outflow from investing activities was RMB1,314,675,056, which was mainly attributable to payments for the construction of Meilan Airport Phase II expansion project.

In 2018, the Group's net cash outflow from financing activities was RMB501,432,243, which was mainly attributable to the repayment of principal of long-term borrowings, and the payment of interests on borrowings and dividends.

Pledge of the Group's Assets

As mentioned in the Company's announcement dated 1 February 2018, the Company and Haikou Meilan International Airport Co., Ltd (the "**Parent Company**"), as co-borrowers, pledged the lands and buildings owned by the Company and the Parent Company as security to secure a long-term borrowing of RMB7.8 billion from CDB, ICBC Hainan Branch and ABC Hainan Branch, as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project.

Gearing Ratio

As at 31 December 2018, current assets of the Group were RMB487,012,821, total assets were RMB8,866,140,984, current liabilities were RMB3,663,326,227, and total liabilities were RMB4,294,201,363. As at 31 December 2018, the gearing ratio (total liabilities/total assets) of the Group was 48.43%, representing a decrease of 6.49% over 2017, which was mainly attributable to the repayment of borrowings and the construction project payment in connection with Meilan Airport Phase II expansion project advanced by the Parent Company.

Foreign Exchange Risks

The businesses of the Group are principally conducted in Renminbi, except certain aviation revenue, purchase of equipment and consulting service fee which are denominated in US dollars or Hong Kong dollars. In view of the limited impact derived from the changes in foreign exchange rates on the Group's operating results, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Financial Instruments

As at 31 December 2018, financial instruments of the Group mainly included bank loans, corporate bonds, cash and bank deposits. The purpose of these financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as receivables (excluding prepayments) and payables (excluding statutory liabilities).

Contingent Liability

As at 31 December 2018, neither the Group nor the Company had any significant contingent liability.

Employment, Remuneration Policy and Training

As at 31 December 2018, the Group had a total of 892 employees, representing a decrease of 41 employees over last year, which was mainly due to normal turnover of employees. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and related packages on a regular basis. Performance-based bonuses and commissions may be awarded to employees. The Group provided adequate trainings based on the requirement of employees, with an aim to upgrade the talent of employees. A total of 84 courses under the training scheme were completed, and 9,461 staffs participated in such courses.

Retirement Pension

The Company and its subsidiaries shall participate in the retirement scheme operated by the relevant local governmental institutions. The PRC government shall be responsible for the pension of the retired employees. The Group has to make a contribution at a rate of 19% of the salary of the employees with permanent residence in the PRC. Once the Group contributes to the retirement scheme, the employer's contribution is fully owned by the employees. For the year ended 31 December 2018, the pension contribution of the Group was approximately RMB16,428,220 (2017: RMB16,719,669).

Outlook

In 2019, with the normalization of monetary policy, it is anticipated that the global financial conditions may become tense and the world economy may be weakened, with the growth rate declining further compared to 2018. Geopolitical risks, trade friction and nationalism are expected to continue to affect the stability and development of the global economy.

In 2019, the deepening of reform and opening-up of China will be further facilitated. Taking the settlement of China-US conflict and the fortieth anniversary of reform and opening-up as an opportunity, and under the pressure of opening-up, deep-seated structural problems and systemic financial risks, a new round of reform and opening-up and the second round of supply-side structural reform will be carried out in an all-round way.

In response to various measures taken by the Chinese government to deepen reform and opening-up in an all-round way and firmly grasp the historical development opportunities for the construction of pilot free trade zone and free trade ports, Hainan Province will unswervingly build a modern economic system dominated by service industries, deepen supply-side structural reform, optimize industrial structure. Through focusing on building the modern economic system, achieving a high level of opening-up to the outside world, upgrading the level of tourism consumption, serving major national strategies, strengthening social governance, building a first-class ecological

environment, introducing talents and funds, and improving the real economy, Hainan Province will be built into a pilot zone of the deepening of reform and opening-up in an all-round way, a pilot zone of national ecological civilization, an international tourism consumption hub, and a major national strategic logistics zone. In order to achieve the goal of establishing “100 international routes and no less than 70 international direct flights” in 2020, Hainan Provincial Government will enhance the effectiveness of international airline subsidy and establish and consolidate international direct flights. At the same time, application will be made for further expansion of scope of visa-free countries and regions, and more convenient immigration policies will be implemented. Meilan Airport, as the provincial airport of Hainan Province, will continue to play its own advantages, seize favourable policy opportunities, explore and innovate in an all-round way, and actively promote the development of Hainan Province.

In addition, influenced by the more loosened off-shore duty-free policy, during the 2019 Spring Festival Golden Week, Hainan recorded a strong off-shore duty-free sale with 643,000 items sold, aggregate sales of RMB601 million and 122,000 shopping tourists, representing a year-on-year increase of 30.43%, 33.56% and 23.23%, respectively. Meilan Airport’s sales of goods for the Golden Week exceeded RMB81.32 million, representing a year-on-year increase of 2.55%. Along with the further increase of duty-free shopping quota and the further expansion of off-shore duty-free policy coverage, it is believed that it will incur better return to the Group.

The Company considers that in 2019, along with the implementation of various initiatives to deepen reform and opening-up and the acceleration of the construction of Hainan Free Trade Pilot Zone and Free Trade Port, Meilan Airport will maintain positive business development, with further expansion of route network coverage. The Company will continuously focus on implementing the “13th Five-Year” Development Plan of the CAAC and the “Action Plan of Promoting “One Belt and One Road” Initiatives for Civil Aviation (2016–2030) (《民航推進「一帶一路」建設行動計劃(2016–2030)》)”, insist on equal emphasis on safety and efficiency, adhere to the bottom line of safety, improve and optimize the operation procedures and improve the professional quality of employees to cope with the increasing safety pressure; take the change of policy dividend and expand the aviation market; tap opportunities for cooperation with domestic and foreign airports, promote the development of airport trusteeship, airport consultation and other business, further tap potential resources; organize diversified activities in line with national policies, industry policies and airport operation needs, strengthen interaction with customers and media, enhance brand value and assume social responsibility; and establish and improve the enterprise value management system through capital operation and investors relationship maintenance. Through roadshows, performance announcements and other events, the Company is expected to promote the enhancement of corporate value and strive to achieve the healthy and sustainable development of Meilan Airport so that all shareholders of the Company will receive feedback with more brilliant achievements.

PROMOTE TRANSFORMATION AND UPGRADE, STRIVE FOR WIN-WIN IN OUTPUT QUANTITY AND OPERATION QUALITY

In 2019, in order to facilitate Hainan Province to achieve the goal of establishing 100 international routes in 2020, the Group will actively collaborate with Hainan provincial government department, step up its efforts in market promotion of tourism of Hainan Province, actively cooperate with airlines and travel agencies, accelerate the development of international market and continuously improve the quality of aviation market development. At the same time of ensuring the steady development of domestic aviation market, the Group will further develop the potential of international aviation market, make full use of the existing resources and maximize the use of flight schedule; take the idea of “providing genuine services and building a humanistic airport” as the guidance, focus on meeting the needs of passengers, build an atmosphere of “genuine services”, inspire the vitality of the enterprise, and provide all-round, high-valued and excellent services for passengers.

STICK TO CORE CAPABILITY CONSTRUCTION, CONSTANTLY CLUTCH ATTENTION ON SAFETY

In 2019, the Group will continue to respond to the requirements of the CAAC of “focusing on the local communities, laying foundation, strengthening basic capabilities” (the “**three basics**”) and implement various special safety tasks. The Group will push ahead the reform of supervision regime and self-examination on legal matters, and establish a sound safety production system with an aim to realize “comprehensive organizational structure, smooth operation and management, and normal resource guarantee”. Based on safety information data, the Group will intensify the application of safety supervision information platform, realize data-driven situation analysis and early warning indicators, and realize the process control through key indicators; learn from the excellent experience of the industry, and focus on pushing forward the “three basics” work including team building, safety culture, risk management, self-examination on legal matters, dangerous goods safety management system (SMS-DG), and enhance staff management efficiency.

FIRMLY DEEPEN EFFICIENCY PROMOTION AND SOLIDLY DEVELOP BRAND IMPROVEMENT

In 2019, the Group will focus on improving the punctuality rate of flights via technological means. Through strengthening the cooperation between apron and control tower and air traffic control tower, the Group will optimize the operation rules of aircraft entering and leaving apron and the allocation rules of aircraft position, further optimize the apron taxiing route, and improve the efficiency of aircraft taxiing on the ground. The Group will strengthen ground coordination, allocate seats rationally, and improve the efficiency of flight operation. At the same time, in order to ensure information sharing among airlines, airports and air traffic control units, Meilan Airport has organized the development of A-CDM system (Airport-Collaborative Decision Making). At present, the development of relevant functions of the A-CDM system has completed, and the next step will be the system trial run and official launch. The system will break down the barriers of information exchange among airports, air traffic control units and airlines and, through effective information sharing, improve ground operating efficiencies and quick response and disposal capability in case of large-scale flight delays.

In 2019, the Group will solidify the status of brand building with full efforts, take the idea of “providing genuine services and building a humanistic airport” as the guidance, focus on meeting the needs of passengers, continuously improve its brand work system and promote the efficient operation of branding system. Through scientific organization and standardized management, it is expected that the commercial value of brand will be finally realized.

In 2019, the Group will continue to put the sustainable development strategy into practice, learn from successful development experience of advanced domestic and overseas airports, promote the green development of civil aviation, enhance virtuous circle of resources, effectively enhance the airport’s ability to reduce consumption and control pollution, consistently practice the concept of green development of “environmental protection, conservation, technology and humanization (環保、節約、科技、人性化)”, adhere to the goal orientation of improving quality and efficiency, and enhance the level of energy saving and emission reduction in production and operation.

SPARE NO EFFORT TO BUILD A COMPREHENSIVE THREE-DIMENSIONAL TRANSPORTATION CENTER

In 2019, the Group will effectively capitalize favorable policies on route development, step up route development, expand route coverage network, enhance its presence in international aviation market, promote Hainan Province as a strategic fulcrum role of “Maritime Silk Road (海上絲綢之路)”, strengthen the construction of international ports, cross-border e-commerce, international distribution and international re-export functions, and build an aviation logistics network linking Australia, New Zealand and Southeast Asia. The Group will also continue to step up its efforts in promoting construction of Meilan Airport Phase II expansion project and strive to cultivate Meilan Airport as a comprehensive three-dimensional transportation centre with its base in Northern Hainan, which gears to the need of entire Hainan Province and radiates in Southeast Asia in 2020.

INTELLIGENTIZED AIRPORT CONSTRUCTION

In 2018, according to the overall planning of Meilan Airport for the construction of intelligent airports, the Group continued to deepen the construction of intelligent airports. The “Airport 3.0” Intelligent Travel Information Service Platform Project has been put into operation at 129 locations in the departure hall, waiting area, east corridor, west corridor, luggage carousel and arrival hall of Meilan Airport domestic terminal. On 23 January 2019, the Intelligent Travel Information Service Platform of Meilan Airport was officially launched. Since then, Meilan Airport has become the first airport in the world to realize the whole process of public information service and intelligent pre-flight service based on big data and airport service scenarios. In addition, in terms of security process optimization project, most of the equipment testing and program development was completed and the approval of the Public Security Bureau of the CAAC on the pilot of the security process optimization at civil aviation airports nationwide was received. Meilan Airport has become one of the pilot airports of the security process optimization among civil aviation airports nationwide.

INTEREST PAYMENT OF DEBENTURES PAYABLE

According to the announcement of the Company dated 19 March 2012, the Company announced to complete domestic issuance of debentures with the principal amount of RMB800 million. Pursuant to the Listing Announcement of 2011 Corporate Bonds of Hainan Meilan International Airport Co., Ltd. (《海南美蘭國際機場股份有限公司二零一一年公司債券上市公告書》) released by the Company on the Shanghai Stock Exchange on 19 April 2012, the coupon rate of debentures was 7.8%, whose interests from March 2017 to March 2018 were paid on 13 March 2018, in total of RMB62,400,000.

The Company issued the first tranche of its non-public corporate bonds of RMB500 million to qualified investors on the Shenzhen Stock Exchange on 27 April 2016. The maturity of the bonds was 3 years with fixed interest rate of 7.3% per annum and the interest is payable annually. Interest of RMB36,500,000 for the period between April 2017 to April 2018 had been paid on 23 April 2018.

The Company issued the second tranche of its non-public corporate bonds of RMB520 million to qualified investors on the Shenzhen Stock Exchange on 2 September 2016. The maturity of the bonds was 3 years with fixed interest rate of 6.7% per annum and the interest is payable annually. Interest of RMB34,840,000 for the period between September 2017 to September 2018 had been paid on 30 August 2018.

PHASE II EXPANSION PROJECT

As of the end of 2018, the runway, taxiway and platform of the Meilan Airport Phase II expansion project were basically completed and the navigation lights had been turned on for commissioning. The metal roof and glass curtain wall of the T2 terminal were sealed, and the indoor specialty construction were fully commenced. According to the project schedule, interconnection commissioning, completion acceptance, calibration flight, trial flight and industry acceptance of the project is expected to be completed within 2019, so as to ensure the Meilan Airport Phase II expansion project to be applicable for operation. The Meilan Airport Phase II expansion project, as a key major infrastructure construction project in Hainan Province, will integrate various modes of transportation such as aviation, railway and road once completed. By then, an efficient and convenient traffic transfer system will be established. The Meilan Airport Phase II expansion project will further improve the operational support capacity of Meilan Airport. That is of positive significance to Meilan Airport for building itself a regional aviation hub of south China and Southeast Asia, as well as putting into full play of its strategic supporting role of the Maritime Silk Road.

TERMINAL COMPLEX PROJECT

Situated on the north side of Meilan Airport, the terminal complex project has a total floor area of 315,300 m². The project encompasses the commercial building, the hotel building, GTC (Ground Traffic Center, a traffic hub) and the parking building. The commercial building brings together various business patterns, including off-shore duty-free shopping, aviation science and technology museum, Hainan featured products shopping, outlet and food court.

GTC on the ground floor of the terminal complex integrates inter-city express, bus, high-speed railway and taxi and other transportation tools, thereby providing multiple and convenient traffic services for travelers. In 2018, 7 new bus routes were opened, with 61,295 departures carrying 1,065,981 passengers; 5 new inter-city routes towards Tunchang, Wenchang and other cities were opened, with 6,795 departures carrying 181,274 passengers; 1,073,546 taxis accessed the center and carried 1,644,784 passengers.

On 8 February 2018, the Meilan Airport hotel officially opened. It has nearly 1,000 rooms, which makes it become the largest international airport hotel in the PRC in terms of the size of room. This hotel is equipped with full-time dining room, aircrew canteen, gym and multi-functional conference room.

The parking building of the terminal complex has over 3,000 parking lots, equipped with intelligent access gate system and self-service payment station, which can improve traffic out efficiency, facilitating the construction of smart parking space. In 2018, a total of 2,956,019 vehicles accessed the building.

Duty-paying commerce of the terminal complex is situated on the south side of the second to fifth floors of the aviation tourism city of the terminal complex, with a gross floor area of 78,000 m², of which approximately 13,566.4 m² is retail business area and approximately 3,428.4 m² is catering area. On 8 January 2019, the outlet stores in the terminal complex officially opened, gathering many well-known brands at home and abroad, such as ASH, LOUIS QUATORZE, CALVIN KLEIN, LIU.JO, CLARKS, JAKET and Donizetti.

ACQUISITION PROGRESS

According to the announcement of the Company dated 13 November 2015, the circular of the Company dated 4 December 2015 and the announcement of the Company dated 30 September 2016, 30 March 2017, 29 September 2017, 29 March 2018 and 28 September 2018:

On 13 November 2015, the Company entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the Parent Company, pursuant to which, the Company agreed to acquire 100% of the equity interest in Hainan Meilan Airport Assets Management Co., Ltd.* (“**Meilan Airport Assets Management**”, 海南美蘭機場資產管理有限公司), a wholly-owned subsidiary of the Parent Company, at a consideration of RMB604,800,000.

The consideration of the acquisition was determined with reference to the valuation of the total assets of Meilan Airport Assets Management as at 30 September 2015, being the base date of evaluation, conducted by Vigers Appraisal & Consulting Limited. The payment of the entire consideration of the equity transfer by the Company is subject to the fulfillment of the capital contribution obligation by the Parent Company to Meilan Airport Assets Management.

The consideration shall be paid by two installments as follows:

- (i) RMB574,560,000 (being 95% of the total consideration) shall be payable within 60 business days from the date of approval of the Equity Transfer Agreement and the transaction contemplated thereunder by the extraordinary general meeting; and
- (ii) RMB30,240,000 (being 5% of the total consideration) shall be payable within 15 business days from the date of completion of the necessary industrial and commercial registrations and filings relating to the Equity Transfer Agreement and the transactions contemplated thereunder in the Industrial and Commercial Bureau of Hainan Province.

As at the date of this result announcement, the Company paid the first installment of the consideration to the Parent Company in accordance with the Equity Transfer Agreement. Upon the fulfillment of the capital contribution obligation by the Parent Company, the Company will pay the second installment of the consideration in accordance with the Equity Transfer Agreement.

Additional time is required to complete the contribution of assets due to the suspension of transfer procedures regarding the relevant land and buildings by relevant local government authorities according to the requirements of policies. As of the date of this result announcement, the Parent Company was awaiting the approval from the relevant government functions for completing the assets transferring procedure as soon as possible. The Company will notify the shareholders of the Company and potential investors with the information on the latest progress under the Equity Transfer Agreement in the future, and make disclosure timely to the public according to the provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

THE PROGRESS OF PROPOSED ISSUANCE OF DOMESTIC SHARES AND PROPOSED ISSUANCE OF NEW H SHARES

According to the announcement of the Company dated 30 December 2016, 27 April 2017, 1 February 2018 and 21 December 2018:

- (1) the Company and the Parent Company entered into the 2018 supplemental domestic shares subscription agreement after negotiation, pursuant to which the Parent Company agreed to subscribe 189,987,125 new domestic shares of the Company as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company and 12,500,000 new domestic shares of the Company by cash at an aggregate subscription price of RMB100,000,000;

- (2) the Company and HNA Infrastructure Investment Group Co., Ltd.* (“**Hainan HNA**”, 海航基礎設施投資集團股份有限公司) entered into a termination agreement after negotiation, pursuant to which, the Company and Hainan HNA mutually agreed to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement with immediate effect from the effective date of the Termination Agreement. Both parties have confirmed that there are no unsettled matters, disputes or potential disputes in relation to the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement;
- (3) the grant of the proposed Specific Mandate to the Board of the Company to issue not more than 200,000,000 new H Shares; and
- (4) proposed consequential amendments to the articles of association.

The Company convened an extraordinary general meetings, an H shares class meeting and a domestic shares class meeting on 26 June 2017 and 20 March 2018, respectively, to consider and approve the relevant proposals for the proposed issuance of domestic shares and proposed issuance of new H shares. As the approval of the CSRC is still in progress, the Company convened the nineteenth meeting of the sixth session of the Board on 21 December 2018 to consider and approve the above proposal adjustment and extension of authorization. Currently, the Company is arranging further general meeting to consider such proposals. The Company will notify the shareholders of the Company and potential investors with the information on the progress of the proposed issuance of Domestic Shares and proposed issuance of new H Shares project in the future (if necessary).

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s auditor, PricewaterhouseCoopers Zhong Tian LLP, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the results announcement.

FINAL DIVIDEND

The Directors expected that, in 2019, the Company has a large capital demand, mainly for Meilan Airport Phase II expansion project and the renovation of large-scale airport equipment. In view of the actual needs of the Company's future development capital, the Board did not recommend the payment of final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for attending and vote at the annual general meeting of the Company, all share transfer instruments, accompanied by the relevant share certificates and forms of transfer, shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 May 2019.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration for the year ended 31 December 2018.

SHARE CAPITAL STRUCTURE

As at 31 December 2018, the total number of issued share capital of the Company was 473,213,000, of which:

	Numbers of Shares	Percentage of total issued shares
Domestic Shares	246,300,000	52%
H Shares	<u>226,913,000</u>	<u>48%</u>
Total	<u><u>473,213,000</u></u>	<u><u>100%</u></u>

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, so far as known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong).

DOMESTIC SHARES

Name of Shareholders	Capacity	Class of shares	Number of ordinary shares	Percentage of domestic shares issued	Percentage of total issued share capital
Haikou Meilan International Airport Company Limited <i>(Note 1)</i>	Beneficial owner	Corporate	237,500,000(L)	96.43%	50.19%

H SHARES

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo <i>(Note 2)</i>	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Zhang Zhiping <i>(Note 2)</i>	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited <i>(Note 2)</i>	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Group Limited <i>(Note 2)</i>	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Resources Investment Limited <i>(Note 2)</i>	Beneficial owner	94,343,000(L)	41.58%	19.94%
UBS Group AG <i>(Note 3)</i>	Security interest in shares and interest of controlled corporations	22,540,400(L) 1,000(S)	9.93% 0.00%	4.76% 0.00%
UBS AG <i>(Note 4)</i>	Beneficial owner, security interests in shares and interests of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Pacific Alliance Investment Management Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited (<i>Note 5</i>)	Beneficial owner	32,788,500(L)	14.45%	6.93%
Leitzes Alexander Scott (<i>Note 6</i>)	Trustee	18,898,000(L)	8.33%	3.99%
Lights On Ventures, LLC (<i>Note 6</i>)	Interest of controlled corporations	18,898,000(L)	8.33%	3.99%
Solve A Maze I LLC (<i>Note 6</i>)	Interest of controlled corporations	18,898,000(L)	8.33%	3.99%
Solve A Maze II LLC (<i>Note 6</i>)	Interest of controlled corporations	18,898,000(L)	8.33%	3.99%
Karst Peak Asia Master Fund (<i>Note 6</i>)	Beneficial owner	18,898,000(L)	8.33%	3.99%
Karst Peak Capital Management (Cayman) Limited (<i>Note 6</i>)	Interest of controlled corporations	18,898,000(L)	8.33%	3.99%
Leitzes Adam Gregory (<i>Note 6</i>)	Interest of controlled corporations	18,898,000(L)	8.33%	3.99%
JP Morgan Chase & Co. (<i>Note 7</i>)	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Greenwoods Asset Management Limited (<i>Note 8</i>)	Investment manager	13,549,000(L)	5.97%	2.86%
Unique Element Corp. (<i>Note 8</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi (<i>Note 8</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited (<i>Note 8</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%

Notes:

1. Haikou Meilan International Airport Company Limited is a Company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. According to the disclosure of interest filed by UBS Group AG on the website of the Stock Exchange, UBS Group AG was deemed to hold 3,692,000 shares through its security interest and hold 18,848,400 shares through its interest in a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG and UBS AG were wholly-owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 576,000, 660,300, 17,607,100, 4,000 and 1,000 long position shares and 1,000 short position shares in the Company, respectively.

4. According to the disclosure of interest filed by UBS AG on the website of the Stock Exchange, among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through security interest, and 18,263,400 shares through interests of a controlled corporation and 15,000 long position shares and 15,000 short position shares as beneficial owner. UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 shares, 1,905,000 shares, and 2,164,300 shares in the Company, respectively.
5. PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which was in turn held 14.45% interest in the H shares of the Company.
6. According to the disclosure of interest filed on the website of the Stock Exchange, Karst Peak Asia Master Fund held 18,898,000 shares in the Company and was wholly-owned by Karst Peak Capital Management (Cayman) Limited, which was held by Solve A Maze I LLC and Lights On Ventures, LLC as to 65% and 35%. Solve A Maze I LLC was wholly owned by Leitzes Adam Gregory. Lights On Ventures, LLC was wholly owned by Solve A Maze II LLC, which was held as to 100% by Leitzes Alexander Scott in capacity as a trustee. Pursuant to Part XV of the SFO, each of Karst Peak Capital Management (Cayman) Limited, Solve A Maze I LLC, Lights On Ventures, LLC, Solve A Maze II LLC, Leitzes Adam Gregory and Leitzes Alexander Scott is deemed to have interest in the shares held by Karst Peak Asia Master Fund.
7. Among the 13,607,488 shares in the Company, JP Morgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
8. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% shares of Greenwoods Assets Management Holdings Limited were held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,549,000 shares in the capacity of investment manager.
9. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 31 December 2018, so far as known to the Directors, supervisors and chief executives of the Company, no other person (not being the Directors, supervisors, and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES

As at 31 December 2018, no Directors, supervisors and chief executive of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”).

THE RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2018, none of the Director, supervisor and chief executive of the Company or their spouses or children under the age of 18 were granted any rights to subscribe any share or debentures in the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in accordance with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices thereon, including review of the relationship with external auditors, the Company’s financial reporting, risk management and internal control system. There was no disagreement between the Audit Committee and the external auditors on the accounting policies adopted by the Company. The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2018.

PARTICULARS ON COMPLIANCE WITH RULES 3.10(1), 3.10(2) AND 3.21 OF THE LISTING RULES

As at 31 December 2018, the Board is comprised of four independent non-executive Directors. As at 31 December 2018, the Audit Committee is comprised of three independent non-executive Directors, one of whom has obtained accounting qualification and is a member of the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has always recognized the importance of good corporate governance to the healthy and sustainable development of the Group. The Company has adopted a code of conduct for securities transactions by Directors with terms no less exacting than those set out in the Model Code. After making specific enquiries, all Directors confirmed that they have complied with the Model Code and standards governing the securities transactions of directors according to the code of conduct during the year ended 31 December 2018.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE CODE

The Company has endeavored to comply with all requirements of the CSRC and the Stock Exchange and other authorities. During the year ended 31 December 2018, the Company had complied with the code provisions set out in the CG Code, and met reasonable governance and disclosure requirements. The company will further improve the corporate governance and the transparency to shareholders of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk as well as the Company's website at www.mlairport.com. The 2018 annual report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company on or before 18 April 2019.

BOARD OF DIRECTORS

As at the date of this announcement, the members of the Board include:

Executive Directors

WANG Zhen (*Chairman*)

TU Haidong

YU Yan

XING Zhoujin

Independent Non-executive Directors

DENG Tianlin

FUNG Ching, Simon

George F MENG

HE Linji

Non-executive Directors

LIAO Hongyu

CHAN Nap Kee, Joseph

YAN Xiang

By order of the Board

Regal International Airport Group Company Limited

Wang Zhen

Chairman and Executive Director

Haikou, the PRC

25 March 2019